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Suez Canal: Outlook for Reopening

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SUEZ CANAL: OUTLOOK FOR REOPENING

Summary

1. Little headway has been made in restoring the Suez Canal to its 1967 depth. It now appears that the waterway will not resume operating until the spring of 1975. Reopening will have only a moderate economic impact because alternative shipping arrangements have developed since the closing in 1967. Most dry cargo traffic will be attracted back to the Canal. Much of the former oil trade will not. With the increased use of efficient supertankers too large to transit the Canal, a high proportion of westbound oil traffic from the Middle East will continue to follow the longer Cape route. As a result, total traffic through Suez probably will be about 150 million tons, two-thirds of its pre-closure rate.

2. Reduced sailing times for ships shifting from the Cape route to the Canal will create an oversupply of shipping of 18 million deadweight tons and bring freight rates down in many trades. Many countries will gain somewhat from a reopened Canal; Egypt will be the largest beneficiary. Cairo stands to earn an additional \$145 million in foreign exchange in the first year of a reopened Canal. Egypt's experience in operating the proposed Sumed Pipeline will determine how far it goes in fulfilling plans to enlarge the Canal to handle tankers as large as 265,000 DWT. Cairo has just signed a \$350 million contract with an Italian firm to build the Sumed line.

The Restoration Task

3. In the wake of the disengagement accord with the Israelis, Egypt had hoped to open the Suez Canal to traffic before the end of 1974. Yet, as of mid-April, major programs for clearing explosives, removing obstructions to navigation, and dredging the Canal to pre-closure depths were not under way. The Canal now seems unlikely to be in full operation until the spring of 1975. At that time, loaded vessels of up to 50,000 DWT will be able to pass through.

4. The reopening of the Canal is a three-phase operation. First, mines, unexploded shells, and other explosives must be cleared. Then sunken vessels, causeways, and other obstructions to navigation must be removed. Finally, the Canal will be dredged to restore its former operating depth.

5. Present arrangements call for mine clearance to be the responsibility of a joint Egyptian, US, and British team headed by an Egyptian admiral. British minesweepers already on the scene and US minesweeping helicopters currently en route will be used to clear the Canal

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of mines. British and US naval personnel will be involved in this operation, which will require about two months. Unexploded ordnance in the Canal and along its banks (strips 150 feet wide on either side) will be removed by US-trained Egyptian military personnel. This operation could take almost a year.

6. Dutch, West German, Yugoslav, and US salvage firms have been seeking contracts to participate in the removal of sunken ships and other obstacles. The US company now appears to be the front runner. Egyptian Army engineers will also take part. The obstacle removal program should be completed eight months after mine-sweeping begins.

7. Dredging will begin as soon as segments of the Canal are cleared of ordnance and navigational obstacles. It will be handled by a Japanese contractor (Penta Ocean) and by the Suez Canal Authority.

8. The USSR will not participate in the three-phase operation, despite offers to do so. Its only known role is to restore the Canal's signaling and traffic control system. The Soviets also will take part in reconstructing war-damaged cities and towns near the Canal.

9. The approaches to Port Said at the northern end of the Canal apparently have been swept of mines to permit entry of three British minesweepers and a command ship. Egyptian personnel are removing a bridge span blocking the Canal at Firdan and the Israeli-built causeway at Deversoir. Full-scale minesweeping operations probably will get under way late in April, following arrival of 12 minesweeping helicopters aboard the US carrier *Iwo Jima*. Small-scale clearing of unexploded ordnance by Egyptian military personnel has already begun. More extensive efforts will begin early in June as Egyptians complete US training in ordnance clearing.

Economic Impact of a Reopened Canal

10. The Canal will never regain the role as an arterial waterway that it had before its closure in 1967, but it still will be an important shipping route. Because of increased use of jumbo tankers too large to transit the Canal, oil shipments are unlikely to reach more than 40% of their 1966 volume of 175 million tons. At that time, they accounted for three-quarters of the Canal's traffic. Most dry cargo will be attracted back to the Canal; its volume could top 100 million tons, compared with 67 million tons in 1966. In sum, a Canal reopened at its 1967 depth probably would handle about 150 million tons of cargo annually.

11. Shorter voyage times for vessels using the Canal instead of the Cape route will reduce the volume of shipping needed to carry world trade by about 18 million DWT. This will result in freight rate reductions and a slowing of shipbuilding orders.

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Obstructions Blocking The Suez Canal as of 15 April 1974

